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TO: Pamela Turner, Director
Detroit Water & Sewerage Dept

FROM: Irvin Corley, Jr., Fiscal Analysis Director **ly.**

DATE: May 3, 2010

RE: 2010-2011 Budget Analysis (Water Department)

Attached is our budget analysis regarding the Water Department's budget for the upcoming 2010-2011 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, May 6, 2010 at 3:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Norman White, Group Executive Finance
Pam Scales, Budget Department Director
Ron Chenault, Budget Department Team Leader
Kamau Marable, Mayor's Office

Water Department (41)

FY 2010-2011 Budget Analysis by the Fiscal Analysis Department

Summary

The Water Department is an Enterprise Fund agency. The Water Department is administratively part of the Detroit Water and Sewerage Department (DWSD) while maintained as a separate fund in the City of Detroit accounting system.

The Mayor's Proposed Budget for 2010-2011 includes appropriations and revenues, each totaling \$375,488,647 to the Water Department, leaving a net tax cost to the City of \$0. This amount represents a decrease of \$434,140,707 (54%) over the \$809,629,354 adopted budget in 2009-2010. The \$434,140,707 decrease is primarily due to no anticipated sale of bonds for fiscal year 2010-2011. There is \$450,000,000 in the 2009-2010 budget for bond sales.

2009-2010 Surplus/(Deficit)

There is no projected surplus or deficit for the Water Department of the DWSD for fiscal year 2009-2010.

Overtime

The Mayor's Proposed Budget for 2010-2011 includes \$6,192,069 for overtime, which is an increase of \$667,820 (12%) from the 2009-2010 budgeted amount of \$5,524,249. As of March 31, 2010, the Water Department has expended \$4,137,203 for overtime and has \$1,387,046 (25%) of overtime remaining against their 2009-2010 budget.

Personnel and Turnover Savings

There are no projected turnover savings for the Water Department in the Mayor's Proposed Budget for 2010-2011.

Water (41)

Budgeted Professional and <u>Contractual Services by Activity</u>	FY 2009-10 <u>Budget</u>	FY 2010-11 <u>Recommended</u>	Increase <u>(Decrease)</u>
Administration Services	\$ 1,457,000	\$ 1,407,000	\$ (50,000)
Public Affairs Group - Water	\$ 3,075,186	\$ 4,466,740	\$ 1,391,554
IT & Systems Integration - Water	\$ 6,135,003	\$ 5,877,000	\$ (258,003)
Financial Services	2,444,000	4,420,814	1,976,814
Asset Management	11,530,485	11,704,643	174,158
Plant Operations-Water	2,033,151	2,549,483	516,332
Engineering Services-Water	232,000	223,500	(8,500)
Water-Capital & Debt Service	-	-	-
Total	<u>\$ 26,906,825</u>	<u>\$ 30,649,180</u>	<u>\$ 3,742,355</u>

Proposed Layoffs and Position Changes

The Mayor's Proposed Budget for 2010-2011 includes full-time equivalent positions of 1,717, which is a decrease of 201 positions from the 1,918 full-time equivalents in the 2009-2010 budget. The reduction of 201 positions is due to vacancies within the Water Department.

<u>Appropriation/Program</u>	<u>Redbook Positions FY 2009-10</u>	<u>Filled Positions 3/31/2010</u>	<u>Mayor's Budget Positions FY 2010-11</u>	<u>Over/(Under) Actual to 09/10 Budget</u>	<u>Mayor's Recommended Turnover</u>
Water (41)					
411010 Office of the Director	8	7	8	(1)	\$ -
411015 Process Networks and Scada Syste	0	13	0	13	\$ -
411020 Public Affairs Division	0	23	0	23	\$ -
411021 Office of the Assistant Director - Pu	31	0	23		\$ -
411080 Security	130	114	130	(16)	\$ -
411110 Information Systems Admin. Svcs.	0	44	0	44	\$ -
411200 Contracts & Grants	28	22	28	(6)	\$ -
411220 Commercial Operations	0	0	0	0	\$ -
411221 Commercial Operations	201	177	193	(24)	\$ -
411250 Meter Operations	0	0	0	0	\$ -
411251 Meter Operations	87	57	84	(30)	\$ -
411280 Systems Operations Control	0	0	0	0	\$ -
411290 Water Technical Services	0	4	0	4	\$ -
411300 Operations Services	0	0	0	0	\$ -
00085 Administration	485	461	466	(24)	\$ -
412010 Ofc. of the Asst. Dir. Of Fin. Svc. Grp.	2	2	2	0	\$ -
412020 Financial Administrative Services	8	4	8	(4)	\$ -
412080 General Accounting Admin. Svcs.	61	52	55	(9)	\$ -
412220 Purchasing	25	18	19	(7)	\$ -
412230 Material Management	70	54	63	(16)	\$ -
00086 Financial Support Group	166	130	147	(36)	\$ -
414010 Ofc. of Asst. Dir. Asset Maintenance	7	0	7	(7)	\$ -
414130 Mechanical Opns. Administration	289	193	237	(96)	\$ -
414200 Water Board Building	46	0	36	(46)	\$ -
414240 Maintenance and Repair	454	312	355	(142)	\$ -
414360 Central Service Facility	1	28	1	27	\$ -
00087 Facilities Management	797	533	636	(264)	\$ -
415010 Ofc. of Asst. Dir of Water Opns.	6	2	6	(4)	\$ -
415020 Water Works Park	48	40	47	(8)	\$ -
415030 Springwells Plant	47	33	48	(14)	\$ -
415040 Northeast Plant	30	23	30	(7)	\$ -
415050 Southwest Plant	31	24	31	(7)	\$ -
415060 Lake Huron Plant	29	22	29	(7)	\$ -
415390 Water Quality	15	10	13	(5)	\$ -
00088 Water Operations Group	206	154	204	(52)	\$ -
413010 Ofc. of Asst. Dir. of Eng. Svcs.	1	1	1	0	\$ -
413020 Engineering Administrative Support	137	79	135	(58)	\$ -

05817 Engineering Services-Water	138	80	136	(58)	\$	-
411011 Asst Dir - Info Tech & Sys Integration	6	0	6	(6)	\$	-
411014 Geographic Information Systems	0	0	3	0		
411016 Process Networks and SCADA Sys	19	0	20	(19)	\$	-
411115 Information Systems Administrative	49	0	49	(49)	\$	-
411285 Systems Operations Control	35	22	34	(13)	\$	-
411295 Water Technical Services	7	5	7	(2)	\$	-
411305 Operational Services	10	9	9	(1)	\$	-
12448 Info Tech & Systems Integration & O	126	36	128	(90)	\$	-
41XXXX Leave of Absence	0	24	0	24	\$	-
41XXXX Worker's Comp	0	(27)	0	(27)	\$	-
41XXXX Unmatched Positions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$</u>	<u>-</u>
TOTAL	<u>1,918</u>	<u>1,391</u>	<u>1,717</u>	<u>(527)</u>	<u>\$</u>	<u>-</u>

Significant Funding Changes by Appropriation

Appro. **Program**
00085 **Administration** The Mayor's Proposed Budget for 2010-2011 includes \$16,658,196 for Administration. This amount is \$3,241,682 less than the 2009-2010 Budget of \$19,899,878.

The decrease is due to a decrease of \$4,517,025 in Other Expenses, a \$73,112 decrease in Salary & Wages, a \$50,000 decrease in Professional and Contractual Services, and a decrease of \$402 in Operating Supplies, which is offset by a \$1,231,632 increase in Operating Services, and a \$167,225 increase in Employee Benefits.

00086 **Financial Services Group** The Mayor's Proposed Budget for 2010-2011 includes \$6,230,521 for the Financial Services Group. This amount is \$852,289 more than the 2009-2010 budget of \$5,378,232.

This increase of \$852,289 is due to a \$1,976,814 increase in Professional and Contractual Services, an increase of \$159,918 in Employee Benefits, and an increase of \$4,340 in Operating Supplies, which is offset by a decrease of \$922,138 in Other Expenses, a decrease of \$361,645 in Salary & Wages, and a decrease of \$5,000 in Operating Services.

00087 **Asset Maintenance Group** The Mayor's Proposed Budget for 2010-2011 includes \$38,393,439 for the Asset Maintenance Group. This amount is \$996,396 less than the 2009-2010 budget of

\$39,389,835.

This decrease is due to a \$2,290,254 decrease in Other Expenses, a \$500,000 decrease in Operating Supplies, a \$446,372 decrease in Salary & Wages, which is offset by a \$1,116,072 increase in Employee Benefits, a \$950,000 increase in Operating Services, and a \$174,158 increase in Professional and Contractual Services.

00088 Water
Operations
Group

The Mayor's Proposed Budget for 2010-2011 includes \$62,004,416 for the Water Operations Group. This amount is \$5,681,981 more than the 2009-2010 budget of \$56,322,435.

This increase is due to an increase of \$3,867,219 in Operating Services, a \$965,066 increase in Employee Benefits, a \$562,659 increase in Operating Supplies, a \$516,332 increase in Professional and Contractual Services and a \$357 increase in Other Expenses, which is offset by a decrease of \$229,652 in Salary & Wages.

00164 Water Systems
Improvement

The Mayor's Proposed Budget for 2010-2011 includes a total of \$40,349,200. This amount is \$4,609,400 more than the 2009-2010 budget of \$35,739,800.

The increase is due to an increase of \$4,609,400 in the Miscellaneous Expenses.

00583 Water
Extraordinary
Repair and
Replacement

The Mayor's Proposed Budget for 2010-2011 includes a total of \$1,062,200. This amount is \$333,700 more than the 2009-2010 budget of \$728,500.

The increase of \$333,700 is due to an increase in miscellaneous expenses.

05733 Reserve
Deposit

The Mayor's Proposed Budget for 2010-2011 includes a total of \$5,885,100. This amount is \$2,278,000 more than the 2009-2010 budget of \$3,607,100.

The increase of \$2,278,000 is due to an increase of \$2,000,000 in Bad Debts Reserve and an increase of \$278,000 in Miscellaneous Expenses.

12140 Water Bond
Fund Series
2007

The Mayor's Proposed Budget for 2010-2011 does not include any amounts for the Water Bond Fund Series 2007. This is a decrease of \$450,000,000 in Miscellaneous Expenses for fiscal year 2009-2010 of the Water Bond Fund Series 2007.

Significant Revenue Changes

00087	Asset Maintenance Group	<p>The Mayor's Proposed Budget for 2010-2011 includes revenue of \$402,643 for the Asset Maintenance Group. This is an increase of \$402,643 more than the 2009-2010 budget of \$0.</p> <p>This increase of \$402,643 is due to an increase in Other Reimbursements.</p>
00163	Debt Service and Maintenance	<p>The Mayor's Proposed Budget for 2010-2011 includes revenue of \$4,025,700 for Debt Service and Maintenance. This is a decrease of \$519,300 less than the 2009-2010 budget of \$4,545,000.</p> <p>This difference of \$519,300 is due to a decrease in Earnings on Investments.</p>
00164	Water System Improvements	<p>The Mayor's Proposed Budget for 2010-2011 includes revenue of \$802,900 for Water System Improvements. This is an increase of \$750,300 from the 2009-2010 Budget of \$52,600.</p> <p>This increase of \$750,300 is due to an increase in the Earnings On Investment.</p>
12140	Water Bond Fund Series 2007	<p>The Mayor's Proposed Budget for 2010-2011 includes revenue of \$5,338,100 from the Series 2007 Bonds, which is a decrease of \$452,939,200 from the 2009-2010 budget of \$458,277,300.</p> <p>This decrease is due to a decrease of \$2,939,200 in Earnings on Investments and a decrease in bond sales of \$450,000,000.</p>
04826	Water Receiving	<p>The Mayor's Proposed Budget for 2010-2011 includes revenue of \$363,656,454 from Water Receiving. This is an increase of \$18,148,600 from the 2009-2010 budget of \$345,507,854.</p> <p>This increase is primarily due to an increase of \$11,897,746 in Water Sales-Wholesale, an increase of \$5,965,842 in Water Sales-Retail and an increase of \$280,762 in Miscellaneous Receipts.</p>

Changes in Goals and Major Initiatives

For fiscal year 2010-11, the Public Affairs Division of the Water Department plans to do the following:

- Implement on-line and over the telephone payment and service requests by mid-late 2010.
- Implement enhanced collection services by the 3rd quarter FY 2010-2011.
- Develop Public Service Announcements for retail customers for assistance in paying water and sewer bills.

Issues and Questions

1. Under Appropriation 00087 for the Asset Maintenance Group in fiscal year 2010-2011, there is an increase in revenues of \$402,643 in Other Reimbursements for Maintenance and Repair 2004, please explain this area. There was no budget for revenues in this area for fiscal year 2009-2010.
2. Under Appropriation 00086-Financial Services Group, why is there an increase of \$1,976,814 in Professional and Contractual Services?
3. Under Appropriation 00088 – Water Operations Group, why is there an increase of \$3,867,219 in Operating Services?
4. Under Revenue Appropriation 00164 – Water System Improvements, what caused the increase in revenue of \$750,300?
5. What effect will the reduction in staff have on water operations?